

REGULAR MEETING

The HBPW Board of Directors met
March 11, 2019
at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave.
Holland, Michigan

Chair Miller called the meeting to order at 4:04 p.m.

Members Present: Phil Miller, Sue Franz, Paul Lilly, and Ex Officio Member Keith Van Beek

Members Absent: Tim Hemingway, Diane Haworth, Brian Lynn, Bob Shilander

Staff Present: Dave Koster, Janet Lemson, John Van Uffelen, Joel Davenport, Ted Siler, Becky Lehman, Chuck Warren, Kevin Koning, Steve Bruinsma, Mark Gipson, Carl Thorwall, Tamara Black, Shawna Vander Yacht, Pete Hoffswell, Andrew Reynolds, Tracy Jousma, Jane Monroe, Allison El-Cassabgui

19.098 **Board Minutes – Regular Meeting Minutes of January 7, 2019, Study Session Minutes of January 25, 2109, and Study Session Minutes of February 25, 2019**

As part of the Consent Agenda, the Board of Directors approved the minutes as presented.

19.099 **Increase in Budget for Service Center Overhead Door Replacement Project**

The \$120,000 budget for the overhead door project was approved for FY2019. The amount was based on informal quotes from various suppliers. Subsequent to budget approval, a formal bid package was prepared and provided to four local suppliers deemed capable of completing the project. Two suppliers provided timely responses, however, one of the two was determined to be unresponsive since the bid did not meet the required door specifications. The successful bidder, West Michigan Door, will require \$124,000 to complete the project.

For background, the current doors are 16 years old. Repair calls are increasing, and some parts are no longer available. They are also relatively slow, moving at about 8-9" per second when opening/closing. The new doors will open at about 60" per second and close at 30" per second. This will provide crews with more efficient entry and exit times, resulting in improved efficiencies. The new doors will also have more clear panes than the current doors, which will improve lighting in the garage.

As part of the Consent Agenda, the Board of Directors approved a transfer from contingency in the amount of \$7,300 for the overhead door project. The amount includes \$4,000 for the additional cost of doors and \$3,300 for the payment and performance bond.

19.100 **Transfer from Contingency for Electric Distribution Underground Lines**

The approved budget for the Additional and Replacement Underground Lines is \$900,000. After completing a number of projects this year we are projecting a shortfall of \$600,000. Fiscal Year 2019 has been one of the busiest since the 1990's, with many new projects such as:

<i>New Residential Developments:</i>	<i>Project Cost</i>	<i>Net Revenue for Four Years</i>
West Wind Development	\$100,000	\$154,000
Beachwalk Development	\$ 70,000	\$ 82,000
Mason Lakes Development	\$ 90,000	\$223,000
Maplewood Village Development	\$ 70,000	\$ 97,000

** Red italics indicate information or discussion added during the meeting and/or action taken.*

New Commercial / Industrial Customers

East 64th Street Industrial Area	\$75,000	>\$75,000
Downtown 8th Street Development	\$60,000	>\$60,000

System Improvement and Resiliency Projects

West Ottawa Schools back up	\$100,000	Reliability
Western Seminary back up	\$ 50,000	Reliability
New Circuit 131 from Ottawa Sub	\$200,000	Reliability
Circuit 131 Customer OH/UG conversion	\$100,000	Reliability

We have also started a new project around Quincy and US 31 that encompasses commercial customers which will be new revenue for Holland BPW. Along with these new customer projects, we've replaced some failing underground cables in order to maintain the reliability statistics that we've had over the past 10 years.

These are some of the main projects. There are others that are smaller in size and cost which contribute to the need for additional funding this current fiscal year. We also have ongoing projects to replace and upgrade existing infrastructure that's aged or customers have increased load requiring us to upgrade services.

As part of the Consent Agenda, the Board of Directors approved a transfer from contingency of \$600,000 to L19001 – Additional and Replacement Underground Lines Project for a revised project budget of \$1,500,000.

19.101 Kollen Park CSX Railroad Crossing Permit

The Kollen Park area overhead infrastructure, which is at end of life, was installed to provide electrical services to a historically industrial area. The overhead pole line runs along an ancient road right-of-way that is no longer a road. Electric Distribution is converting the overhead system to underground to increase reliability and improve aesthetics through this area. There are customers on both sides of the railroad which runs along Kollen Park area, and the HBPW requires a crossing that will be located near the main entryway to Kollen Park. The crossing will provide power to the park facilities and a few businesses located to the north of the tracks as shown in Figure 1. CSX Transportation, Inc. requires rail encroachment agreements any time utilities are added within a rail road right-of-way. This crossing location was chosen as the most efficient crossing point.

As part of the Consent Agenda, the Board of Directors approved an encroachment agreement with CSX Transportation, Inc. in the amount of \$10,000, as approved to form by the City Attorney.

19.102 Pole Attachment Agreement Terminations

The existing pole attachment agreements are diverse in language, fees, and implementation methodologies. The contractual variations create an ongoing challenge that negatively impacts the community. Some agreements do not have sufficient language to motivate attachees to perform their duties in a timely manner. This results in a number of old shortened poles being co-located with brand new poles that HBPW elected to replace--an aesthetic disturbance to the community and at times, a safety concern. HBPW intends to modify and adopt the Michigan Municipal Electric Association's standard pole attachment agreement which addresses many of these concerns by implementing fees, time limitations, and as a last resort, back charges for HBPW-performed work.

It is the intent of the new pole attachment agreement to use the FCC recognized and standardized calculation to determine actual rates annually. The existing agreements have rates that were developed years ago and only included an annual percentage increase which was not linked to asset costs or depreciation. By linking the rates to the true costs annually, the attaches' will be paying a fair share; and they will all be equal, which ensures no entity or industry is subsidizing another.

** Red italics indicate information or discussion added during the meeting and/or action taken.*

Additionally, state legislators passed Senate Bill No. 637, effective March 12, 2019, which is intended to speed up the deployment of small cell 5G communications and has brought new challenges to the HBPW's pole attachment agreements. Five-G cell networks use a series of antennas, about the size of a 55 gallon drum, located on top of utility poles. The new senate bill capped rates and pre-empts local entities from limiting their implementation. The new pole attachment agreements will be compliant with the requirements of Senate Bill No. 637 and allow for these types of attachments in an orderly fashion.

Our existing agreements are listed below:

<i>Firm</i>	<i>Firm Name on Agreement</i>	<i>Attachments</i>
ACD.Net	KEPS Technologies, Inc (2016)	Yes - 111
AT&T	Michigan Bell (1969)	Yes - 4708/92
Charter Communications	South Ottawa Cablevision, Inc. (1979)	Yes - 1692
Comcast	Continental Cablevision of Holland-Zeeland (1975)	Yes - 3848
Everstream	Great Lakes Comnet, Inc. (2014)	Yes - 122
Fiber Technologies Networks	Fiber Technologies Networks, LLC (2016)	None
US Signal	US Signal Company LLC (2015)	None

As part of the Consent Agenda, the Board of Directors approved the termination of all existing pole attachment agreements, as approved to form by the City Attorney.

19.103 Action on Consent items:

Motion to approve, accept, or adopt Consent *Lilly*
 Agenda items
 Second *Franz*
 Favor *3*
 Oppose *0*

19.104 **Communications from the Audience**

None

19.105 **Financial Update**

For information only

19.106 **Major Project Update**

For information only

19.107 **19th Street Cleveland to Van Raalte Reconstruction Contract**

The 19th Street project was selected a number of years ago to make strategic improvements in the water transmission and trunk wastewater collection systems, as well as replace water and sewer infrastructure that is generally over 100 years old.

A water transmission project begun in 2004 included a 30-inch lake crossing at Division/Graafschap, which was then run east on 20th Street in 2006 before turning north at Maple Avenue, where it currently ends at 19th and Maple. The 19th Street project would connect the existing 24-inch main to the existing transmission system in Pine Avenue. The Pine Avenue transmission mains, which are currently 16- and 12-inch in diameter, will likely be replaced in another project within 5-10 years.

The substantial rains of 2008 and 2009 caused extremely high flows at the 16th/Crescent and the 17th Street lift stations. These two lift stations share a force main; and due to the higher flow capacity of the 16th/Crescent station, it hydraulically overwhelmed 17th Street, severely limiting flow from that

** Red italics indicate information or discussion added during the meeting and/or action taken.*

station. Subsequently, the 17th Street station was pumped directly to storm in order to avoid backing sewage into hundreds of basements. 16th, 17th, and 18th Streets have all had major underground improvement projects over the past 20 years, leaving 19th Street as the best remaining route in need of substantial underground construction. A new forcemain, just for the 17th Street lift station, will be run in 19th Street. The configuration will also allow for the ultimate rerouting of flow from 16th/Crescent--temporarily if necessary.

The local infrastructure, which is generally over 100 years old, will be replaced. Galvanized services limit the water supply to homes resulting in low pressure when water is used. Local sewers were identified for replacement to help limit the groundwater infiltration problems common to this area of the city due to a high groundwater table. The city's transportation services department has also chosen this time to rebuild the existing storm sewer.

Bids were received February 15 and are shown in the table below:

Company	Price
Milbocker	\$ 4,671,841.16
K&R	\$ 5,043,128.07
Georgetown	\$ 5,136,650.00
Al's	\$ 5,676,456.00
Diversco	\$ 5,159,521.39
Wyoming	\$ 4,952,699.00
Schippers	\$ 5,678,987.00

Engineering and field inspections costs associated with the project are projected to be \$265,696.00 without contingency.

The expected construction cost sharing between the City and the BPW is summarized below:

Construction Costs Without Contingency

City Cost	\$ 1,130,564.56
BPW Water Cost	\$ 1,566,197.59
BPW Sewer Cost	\$ 1,975,079.00
Total Project Cost	\$ 4,671,841.16

The total project costs including engineering, construction and contingency and the budget are shared below:

	Costs	Budget
BPW Sewer Estimate	\$ 2,296,145.82	\$ 2,200,000.00
BPW Water Estimate	\$ 1,820,797.07	\$ 1,904,000.00

Recommendation: The Board of Directors approved a contract with Milbocker & Sons, Inc, in the amount of \$4,671,841.16, with a 10% contingency of \$467,184.12, for a total of \$5,139,024.28, pending approval as to form from the City Attorney. Approve a transfer from contingency of \$100,000 to fully fund the requested construction contingency for the wastewater portion of the project.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Franz</i>
<i>Favor</i>	<i>3</i>
<i>Oppose</i>	<i>0</i>

** Red italics indicate information or discussion added during the meeting and/or action taken.*

Broadband Utility:

• Operating revenues	\$ 1,644,594
• Operating expenses	\$ 1,444,152
• Net income	\$ 200,442

Water Utility:

• Operating revenues	\$ 11,268,184
• Operating expenses	\$ 7,338,055
• Net income	\$ 4,002,812

Wastewater Utility:

• Operating revenues	\$ 11,978,732
• Operating expenses	\$ 11,055,823
• Net income	\$ 960,414

Contribution to the City is proposed to be \$7,656,276, an increase of nearly 16% from the FY 2019 amount. This amount is calculated at 6.25% of the average of the prior three calendar years retail electric revenues plus 50% of the prior calendar year electric wholesale net marginal income.

Wages and benefits represent 18.3% of combined total expenses, consistent with the FY 2019 budget of 18.5%.

The capital budget cash outlay for FY 2020 is projected to be \$18,966,057 with a related multiple year total project cost of \$30,448,720. The amounts, summarized by major utility area are:

• Electric production	\$ 1,547,500
• Electric distribution	\$ 4,885,000
• Broadband	\$ 550,000
• Water Treatment	\$ 924,000
• Water distribution	\$ 2,667,000
• Water Reclamation	\$ 3,519,000
• Wastewater collection	\$ 3,632,100
• Administrative Capital	\$ <u>2,128,010</u>
Total	\$19,852,610

Recommendation: The Board of Directors approved the FY 2020 budget and associated electric, broadband, water, and wastewater rate adjustments, and forward to the City Council for inclusion in their resolution approving the budget for FY 2020 at the May 1, 2019, Council meeting.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Franz</i>
<i>Favor</i>	<i>3</i>
<i>Oppose</i>	<i>0</i>

19.112 BOARD COMMENTS

Next Board Meeting: Study Session, March 25, 2019

ADJOURNMENT

A motion to adjourn the meeting of *March 11, 2019*, was made by *Lilly* supported by *Franz* and agreed upon by the Board of Directors present.

The Board Meeting of March 11, 2019, adjourned at *6:13 p.m.*

Minutes respectfully submitted by,
Janet Lemson, Secretary to the Board

** Red italics indicate information or discussion added during the meeting and/or action taken.*